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United States  
Department of  
Agriculture

Office of  
the Secretary

Office of  
Finance and  
Management

# Secretary's Management Report

April 1, 1992 - September 30, 1992

Volume 7  
Management Actions  
Taken on Audit Recommendations  
P.L. 100-504





DEPARTMENT OF AGRICULTURE  
OFFICE OF THE SECRETARY  
WASHINGTON, D.C. 20250

**MESSAGE FROM THE SECRETARY**

Efficient and effective implementation of audit recommendations made by the Office of Inspector General continues to be crucial to improving management of the Department. This has been a major initiative for USDA Agency Administrators. Although the workload associated with audit reports continues to increase, agencies made a concerted effort during the last 6 months to implement recommendations for program improvements contained in audits.

*Edward Madigan*  
Edward Madigan  
Secretary



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## AGENCY ABBREVIATIONS

AMS	Agricultural Marketing Service
APHIS	Animal and Plant Health Inspection Service
ARS	Agricultural Research Service
ASCS	Agricultural Stabilization and Conservation Service
CCC	Commodity Credit Corporation
ES	Extension Service
FAS	Foreign Agricultural Service
FmHA	Farmers Home Administration
FCIC	Federal Crop Insurance Corporation
FGIS	Federal Grain Inspection Service
FNS	Food and Nutrition Service
FS	Forest Service
FSIS	Food Safety and Inspection Service
NASS	National Agricultural Statistics Service
OFM	Office of Finance and Management
OIG	Office of Inspector General
OGC	Office of the General Counsel
OICD	Office of International Cooperation and Development
OIRM	Office of Information Resources Management
SCS	Soil Conservation Service







**Response to the "In Focus: Implementing the CFO Act" Section  
of the Inspector General's Semiannual Report to Congress**

We are pleased that the Inspector General (IG) acknowledges the substantial progress the Department has made toward implementing the requirements of the Chief Financial Officers (CFO) Act.

Major deficiencies in USDA financial management systems and steps to correct these deficiencies were identified in the USDA CFO Implementation Plan that was submitted to the Director, Office of Management and Budget (OMB), in May 1991, and updated in January 1992. At that time, major accounting system deficiencies were identified in OFM's National Finance Center (NFC) and in Forest Service (FS). Also identified were weaknesses in internal controls in the Department's other accounting systems. The IG's audit of the Fiscal Year (FY) 1991 financial statements, reported in September 1992, has confirmed the Department's assessment made 16 months earlier.

The primary goal of USDA's CFO Implementation Plan is to provide stronger policy guidance and management of accounting and related financial management activities throughout the Department. The Department's CFO and the agencies have been directed to put into place systems to correct the noted deficiencies.

Steps that have been taken and are underway include:

- The Assistant Secretary for Administration (ASA) has been designated as the Department's Chief Financial Officer.

- A new career SES level position was created in the Office of the ASA to serve as the Department's Deputy Chief Financial Officer. The Deputy CFO position was advertised widely to obtain the best possible applicants. A highly qualified candidate was selected and will report to the new position in December 1992. The Deputy CFO is responsible for accomplishing the CFO Implementation Plan and the Department's 5-year Financial Management Plan which is scheduled for submission to OMB in December 1992. Together, these plans provide the framework needed for a comprehensive financial management systems improvement program.

We have begun a review of the functions, staff capabilities and priority of work assigned to agency financial management organizations. Based on the results of this review, we will determine the need for realignment of authorities and responsibilities at the agency level and the type of training needed to strengthen financial management in each agency component. It should be noted that the Department has in excess of 750 employees in the accounting/financial management series. While the IG indicates that the Department needs to place individuals with expertise in accounting and financial management in key operational and policy positions, we believe that the job is one of focusing and improving existing resources in this area.

- We are pursuing the timely development and installation of near-term corrections for the most serious accounting and internal control deficiencies in OFM's NFC and in FS systems.

- We are implementing a project to modernize administrative processes throughout the Department and to integrate these administrative processes with a modern accounting and financial reporting system. In the long term, this system will correct existing deficiencies at OFM's NFC.

- Plans are under development for long-term financial management system improvements in FS.

- A number of individual USDA agency initiatives include:

- FmHA is implementing a design and implementation plan for an improved agency-wide program and financial information system.
- FCIC is currently upgrading its agency-wide automation capability and improving its program and financial information systems.
- ASCS/CCC have plans for the upgrade of automated equipment and systems, including improvement in their program and financial management information systems over the next 3 years.
- FNS has successfully implemented the first phase of their financial system modernization effort. FNS continues to work with State Agencies to improve the timeliness and financial integrity of State operational and performance reports.
- FS is currently working on financial system improvements, particularly in the area of improved property management and accountability.

Funding increases for improvements in USDA financial systems, including the preparation and audit of Consolidated Financial Statements, were requested in FY's 1992 and 1993. Congress did not provide the requested increases. As a result, these activities will have to be carried out within existing levels of resources, and at a slower pace than we would have preferred.

It should be noted that the USDA agencies--REA, FCIC, FmHA and CCC--with past experience in preparation of financial statements received unqualified opinions from the IG concerning their work in this area. Similarly, it should not be surprising that agencies with little experience in this work need additional resources.

The Department has begun a major shift in the way it does business. It will be up to future leaders to complete the changes we have set in motion.



## EXECUTIVE SUMMARY

The Secretary's Management Report to the Congress is required by the Inspector General Act Amendments of 1988. The Act requires that the Secretary report directly to the Congress on the status of actions taken on audit recommendations. This is the seventh report issued under the Act by the United States Department of Agriculture (USDA) and covers the 6-month period April 1 through September 30, 1992. The report reflects management's implementation of audit recommendations contained in reports issued by USDA's Office of Inspector General (OIG) and explains why action on an audit remains incomplete 1 year from the management decision date. It complements the OIG Semiannual Report to Congress which includes data on audit reports issued and the status of management decisions made during this 6-month period.

Over the past 6 months, the Office of Finance and Management monitored and analyzed 510 audits with 3,480 recommendations. Of the 510 audits, 319 are from the prior 6-month period and contain 2,604 recommendations with corrective action complete on 1,095 recommendations or 42 percent. Management continues action to implement the remaining recommendations.

Action is complete on 180 audit reports. As a result, management recovered \$6,316,781 in costs which should not have been charged to USDA programs and wrote off \$1,945,697 determined to be uncollectible due to bankruptcies, excessive cost of collections, legal decisions, or terminations in program participation. Additionally, management recovered \$308,832 and wrote off \$1,195,388 contained in 21 audit recommendations with final action. Management implemented \$38,875,098 in funds they determined could be used more efficiently and determined that \$41,603,472 could not be used more efficiently as recommended by OIG due to statutory or other mandatory requirements. For 9 audit recommendations with final action, management also implemented \$1,081,773 in funds they determined could be used more efficiently and determined that an additional \$737,124 could not be used more efficiently.

Of the 510 audits, 119 do not have final action on the entire audit 1 year from the management decision date. Many of the management decisions to effect corrective action on these



audits involve development of long-term automated system changes, formal regulations and directives, legal implications, actions by non-USDA agencies, and other time-consuming processes. Of these 119 audits, management took action on 716 recommendations containing \$7,509,544 in costs that management determined should not be charged to USDA programs (disallowed) and \$252,026,461 in funds they determined could be used more efficiently (funds to be put to better use).

	Carryover Oct. 1, 1991 - March 31, 1992	Management Decisions April 1- Sept. 30, 1992	Total
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#### Universe of Audits

Total Audits:	319	191	510
Number of Recommendations:	2,604	876	3,480
Disallowed Costs:	\$130,086,328	\$43,001,113	\$173,087,441
Funds To Be Put To Better Use:	\$2,392,555,108	\$27,131,158	\$2,419,686,266

#### Audits With Final Action

Total Audits:	126	54	180
Number of Recommendations:	830	127	957
Disallowed Costs:	\$8,269,659	\$54,592	\$8,324,251
Funds To Be Put To Better Use:	\$80,450,618	\$27,952	\$80,478,570

#### Audits Without Final Action

Total Audits:	193	137	330
Number of Recommendations:	1,774	749	2,523
Disallowed Costs:	\$121,816,669	\$42,946,521	\$164,763,190
Funds To Be Put To Better Use:	\$2,312,104,490	\$27,103,206	\$2,339,207,696

#### Final Action on Audit Recommendations

Total Audits:	43	31	74
Number of Recommendations:	163	105	268
Disallowed Costs:	\$1,110,366	\$360,184	\$1,470,550
Funds To Be Put To Better Use:	\$1,096,546	\$722,351	\$1,818,897

#### Audits Under Appeal or Legislative Solution

Total Audits:	18	6	24
Number of Recommendations:	102	28	130
Disallowed Costs:	\$13,402,948	\$3,665,932	\$17,068,880
Funds To Be Put To Better Use:	\$62,932,057	\$89,186	\$63,021,243







## DEFINITIONS

**Questioned Cost.** A cost OIG questions because of:

- an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds;
- a finding that, at the time of the audit, the cost is not supported by adequate documentation; or
- a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

**Disallowed Cost.** A questioned cost that management sustains or agrees is not chargeable to the government.

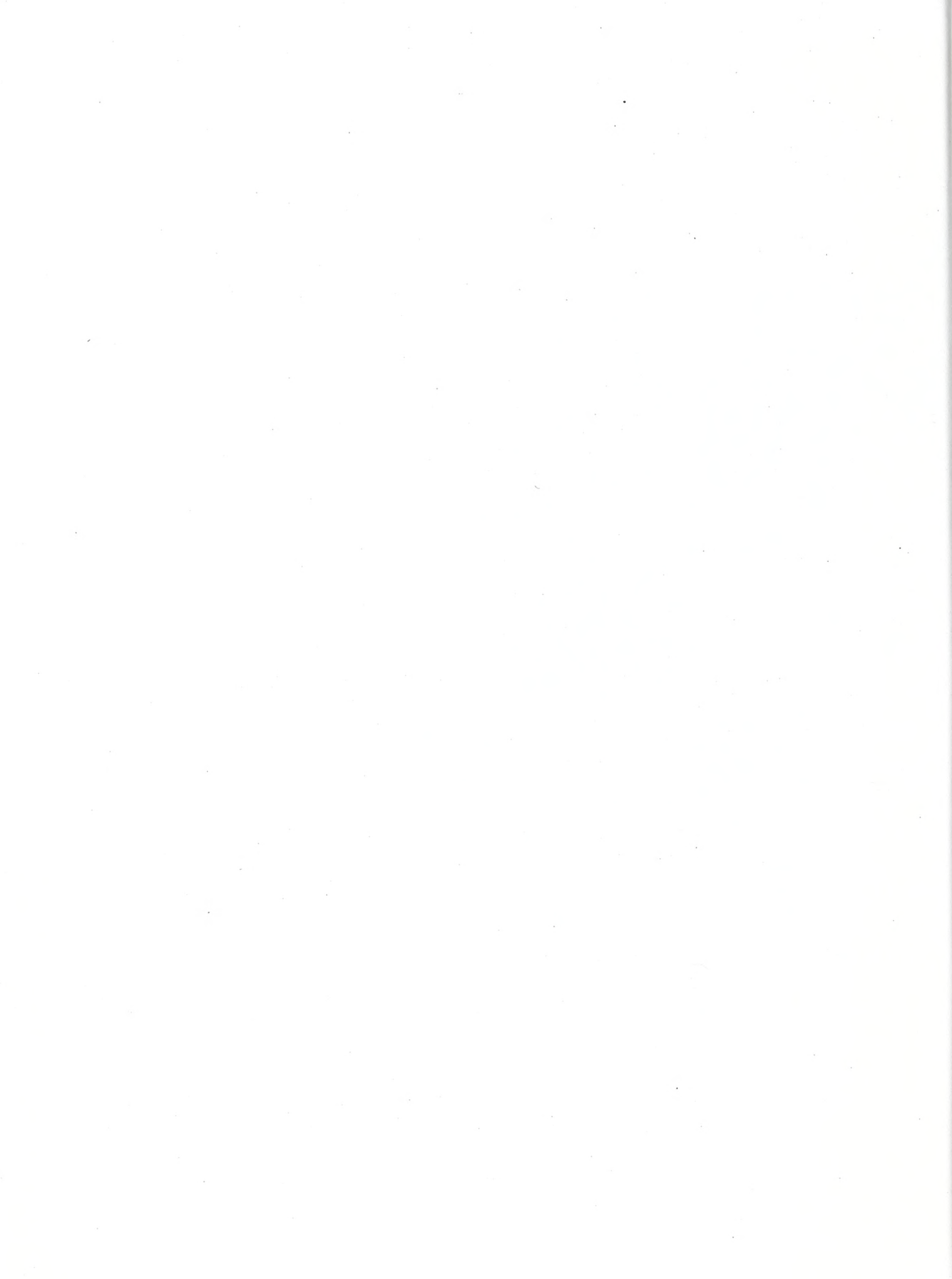
**Funds To Be Put To Better Use.** A recommendation by OIG that funds could be used more efficiently if management took actions to implement and complete the recommendation, including:

- reductions in outlays;
- deobligation of funds from programs or operations;
- withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds;
- costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor, or grantee;
- avoidance of unnecessary expenditures noted in preaward reviews of contract or grant agreements; or
- any other savings which are specifically identified.

**Management Decision.** Management's evaluation of the audit findings and recommendations and the issuance of a final decision by management concerning its response to the findings and recommendations, including necessary actions.

**Final Action.** Final action means:

- the completion of all actions that management has concluded are necessary in its management decision with respect to the findings and recommendations included in an audit report; and
- in the event that management concludes no action is necessary, final action occurs when a management decision is made.



**FINAL ACTION ON AUDITS AND AUDIT RECOMMENDATIONS  
WITH DISALLOWED COSTS FOR THE 6-MONTH PERIOD  
APRIL 1 - SEPTEMBER 30, 1992**

The chart on the following page depicts the overall status of audits with disallowed costs for this reporting period. As of April 1, 1992, final action was in process but not complete on 172 audits with \$130,086,328 in disallowed costs. Management decisions were made during the period on 104 audits with \$43,001,113 in disallowed costs. Management implemented all recommendations for 95 audits, recovering \$6,316,781 in costs that should not be charged to USDA programs and writing off \$1,945,697 in uncollectible debts due to bankruptcies, excessive cost of collections, legal determinations, or terminations in program participation. Additionally, agencies collected \$308,832 and wrote off \$1,195,388 as a result of final action taken on individual audit recommendations.

**Final Action on Audits And Audit Recommendations  
With Disallowed Costs  
April 1 - September 30, 1992**

		Disallowed Costs	
		Number of Audit Reports	Dollars
A.	Audits with no final action as of April 1, 1992	172 <sup>1</sup>	130,086,328 <sup>1</sup>
B.	Audits with management decisions made during the period	104 <sup>2</sup>	43,001,113 <sup>2</sup>
C.	Total (A + B)	276	173,087,441
D.	Final action on audit reports	95	8,324,251 <sup>3</sup>
	1. Recoveries		
	(a) Collections		4,110,852
	(b) Other		2,205,929
	2. Writeoffs		1,945,697
	3. Subtotal (1 + 2)		8,262,478 <sup>4</sup>
E.	Final action on audit recommendations	21	1,470,550
	1. Recoveries		
	(a) Collections		145,302
	(b) Other		163,530
	2. Writeoffs		1,195,388
	3. Subtotal (1 + 2)		1,504,220 <sup>4</sup>
F.	Total final action taken during the period		9,794,801
G.	Audit reports needing final action as of September 30, 1992	181	164,763,190

- 1/ This increase is the result of one audit reported as funds to be put to better use for October 1, 1991 - March 31, 1992, versus disallowed costs.
- 2/ This reflects two additional audits and \$553,501 less than the OIG Semiannual Report for this 6-month period. The extra audits are the result of individual agencies making management decisions on their portion of multi-agency audits and \$553,501 is included in the carryover from the last report due to management decisions on multi-agency audits.
- 3/ This amount was reduced by \$593,814 as a result of appeals and documentation obtained by the agencies to support the costs.
- 4/ Agencies recovered an additional \$565,711 not identified in OIG audit reports.

**FINAL ACTION ON AUDITS AND AUDIT RECOMMENDATIONS  
WITH FUNDS TO BE PUT TO BETTER USE FOR THE 6-MONTH PERIOD  
APRIL 1 - SEPTEMBER 30, 1992**

The chart on the following page depicts the overall status of audits with funds to be put to better use for this reporting period. As of April 1, 1992, final action was in process but not complete on 74 audits with \$2,392,555,108 in funds recommended to be put to better use. Management decisions were made during the period on 17 audits with \$27,131,158. Management implemented all recommendations in 21 audits containing \$80,478,579 in funds to be put to better use. Recommendations for \$41,603,472 were not put to better use, mainly due to either statutory or other mandatory requirements. Additionally, agencies took action on \$1,818,897 contained in individual audit recommendations with final action during the current 6 months.



**Final Action on Audits and Audit Recommendations  
With Funds To Be Put To Better Use  
April 1 - September 30, 1992**

		Funds To Be Put To Better Use	
		Number of Audit Reports	Dollars
A.	Audits with no final action as of April 1, 1992.	74 <sup>1</sup>	2,392,555,108 <sup>1</sup>
B.	Audits with management decisions made during the period	17	27,131,158
C.	Total (A + B)	91	2,419,686,266
D.	Final action on audit reports	21	80,478,570
	1. Value of recommendations implemented		38,875,098
	2. Value of recommendations not implemented		41,603,472
	3. Subtotal (1 + 2)		80,478,570
E.	Final action on audit recommendations	9	1,818,897
	1. Value of recommendations implemented		1,081,773
	2. Value of recommendations not implemented		737,124
	3. Subtotal (1 + 2)		1,818,897
F.	Total final action taken during the period		82,297,467
G.	Audits reports needing final action as of September 30, 1992	70	2,339,207,696

<sup>1</sup>One audit was previously reported as funds to be put to better use in lieu of disallowed costs and one audit with \$64,804 was omitted inadvertently.

#### AUDITS UNDER APPEAL OR LEGISLATIVE SOLUTION

The table on the following page reflects 24 audits either under appeal or a legislative solution is necessary to effect final action. These 24 audits contain 130 recommendations involving \$17,068,880 in disallowed costs and \$63,021,243 in funds to be put to better use. Although the appeal and legislative processes preclude final action on these audits in their entirety, management completed action on 51 recommendations with \$986,332 in costs which they determined should not be charged to USDA programs and \$4,221,724 in funds OIG recommended could be put to better use.

## AUDITS UNDER APPEAL OR LEGISLATIVE SOLUTION

Agency	Administrative Appeal	Judicial Appeal	Legislative Solution	Disallowed* Costs (Dollars)	Funds To** Be Put To Better Use (Dollars)
ASCS	7	1	0	11,654,634	732,538
FmHA	0	0	1	0	59,900,000
FCIC	0	1	0	4,755,287	244,200
FS	2	2	0	0	1,623,656
SCS	3	0	0	293,517	431,663
FNS	7	0	0	365,442	89,186
<b>TOTAL</b>	<b>19</b>	<b>4</b>	<b>1</b>	<b>17,068,880</b>	<b>63,021,243</b>

\*Management completed action on \$986,332 in costs which should not have been charged to USDA programs.

\*\*Management completed action on \$4,221,724 in funds to be put to better use.



**APPENDIX 1**  
**AGENCY AUDITS WITHOUT FINAL ACTION 1 YEAR**  
**FROM THE MANAGEMENT DECISION DATE**

Agencies did not complete corrective action within 1 year on 119 audits. The 71 audits indicated with an asterisk (\*) were in the report for the period October 1, 1991, through April 1, 1992. Some audits contain multiple recommendations affecting the completion of final action. These include complex system changes, collection activities, development and implementation of regulations or directives, legal implications, investigations, actions by other than USDA Agencies, and other time-consuming corrective action to implement the management decisions. The 119 audits contain 1,195 recommendations and action is completed on 716 recommendations with \$7,509,544 in disallowed costs, and \$252,026,461 in funds to be put to better use.



**AGENCY AUDITS WITHOUT FINAL ACTION**  
**1 YEAR FROM THE MANAGEMENT DECISION DATE**  
**(DOLLARS)**

Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds To Be Put To Better Use (Total) Remaining	Reason Final Action Incomplete
<b>AGRICULTURAL MARKETING SERVICE</b>				
South Florida Lime and Avocado Administrative Committees #01031-43-AT*	1/5/88	- 0 -	- 0 -	The audit has 14 recommendations of which 13 are complete. The remaining finding is that AMS amend marketing orders to require the reporting of individual assessment rebates totaling \$600 or more to the Internal Revenue Service (IRS).
Cotton Research and Promotion Program, Cotton Board #01045-4-AT*	3/9/89	(380,101) 21,204	- 0 -	The audit has 15 recommendations of which 14 are complete. The remaining finding is that AMS determine the collectibility of assessments, penalties, and interest. A proof of claim is pending a determination by the United States (U.S.) Bankruptcy Court of Southern Texas.
AMS Subtotal		(380,101) 21,204	- 0 -	
<b>AGRICULTURAL STABILIZATION AND CONSERVATION SERVICE</b>				
Pennsylvania State and County Office Administration #03001-47-HY	3/30/90	(328,762) 9,989	- 0 -	The audit has 17 recommendations of which 16 are complete. The remaining finding is that ASCS recover overclaims and base production on similar farms for those nonprogram crops with insufficient production evidence. Collection of the disallowed costs is delaying final action.



Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds To Be Put To Better Use (Total) Remaining	Reason Final Action Incomplete
Improved Controls and Oversight Would Reduce Losses to the CCC on Settlement Actions on Adverse Warehouse Cases #03091-19-FM	8/8/90	(284,000) - 0 -	- 0 -	The audit has 55 recommendations of which 53 are complete. The remaining findings are that ASCS modify the Uniform Grain Storage Agreement, the Code of Federal Regulations, and handbook procedures to show timeframes for written notification, acceptance, and decisions on appeals, and update all handbooks and contract provisions that pertain to warehouse operations and examinations to reflect current operating procedures. Development of the procedures and handbooks is delaying final action. Completion is scheduled in Fiscal Year (FY) 1993.
Idaho Conservation Reserve Program Application of Eligibility and Payment Limitation Requirements #03099-59-SF*	11/27/90	(433,320) 262,543	(1,011,080) - 0 -	The audit has three recommendations of which two are complete. The remaining finding is that ASCS collect payments made on Bingham County Conservation Reserve Program (CRP) Contract Nos. 2 and 11. The audit was in administrative appeal which was denied. Collection of the disallowed costs is delaying final action.
Excessive Deficiency Payments to Hybrid and Certified Seed Producers #03099-70-CH*	9/30/88	- 0 -	(170,000,000) 170,000,000	The audit recommended that ASCS require the use of actual hybrid seed yields when computing deficiency payments and either seek legislation to exclude nonprogram crops from deficiency payments or establish separate market prices for these nonprogram crops. If legislation is not sought to make these changes, coordinate with NASS to obtain market prices received by producers for hybrid and certified seed, as well as for other higher priced crops that are not now collected by NASS, and include them in the national average market price calculations. NASS is implementing a system to collect data for future calculations of national deficiency payments for hybrid seed production.



Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds To Be Put To Better Use (Total) Remaining	Reason Final Action Incomplete
1988 Disaster Program in Michigan #03099-81-CH*	1/12/90	(757,372) 60,343	- 0 -	The audit has 16 recommendations of which 10 are complete. The remaining findings are that ASCS recalculate and correct payments made to producers based on the revised yields and rates developed, implement a second-party review of the calculation of nonprogram crop payment yields and rates for disaster assistance payments, recover Disaster Program (DP) overpayments and disburse funds to correct underpayments, recalculate all DP payments to producers and make adjustments, collect the DP payments from producers identified as ineligible to participate in the program, and adjust disaster payments to reflect changes in the crop table. Collections are delaying final action.
Conservation Reserve Program \$50,000 Payment Limitation in Colorado #03099-114-KC*	7/14/88	(328,799) 324,165	(1,917,409) - 0 -	The audit has 12 recommendations of which 10 are complete. The remaining findings are that ASCS provide instructions to correct the cases cited with improper "person" determinations, including collection of improperly disbursed payments. Final action is delayed pending the results of legal action filed by the producer against the Secretary of Agriculture.
Federally Licensed Warehouses #03099-136-AT	3/27/91	- 0 -	- 0 -	The audit has nine recommendations of which six are complete. The remaining findings are that ASCS develop a risk-based system for scheduling warehouse examinations, either update the automated risk rating system to identify warehouses in financial jeopardy or discontinue its use, and develop and implement procedures to ensure action is taken to identify, segregate, recondition or dispose of contaminated commodities. Development of the procedures and handbooks is delaying final action. Completion is scheduled in FY 1993.

Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds To Be Put To Better Use (Total) Remaining	Reason Final Action Incomplete
Emergency Conservation Program and Emergency Feed Program Claims in Caddo Parish, Louisiana #03099-137-TE*	8/25/89	(9,767) 3,130	(3,750) - 0 -	The audit has three recommendations of which one is complete. The remaining findings are that ASCS review the facts presented and recover Emergency Feed Program payments made to the producer. Final action is delayed pending the results of legal action filed by the producer against the Secretary of Agriculture.
CCC-Debt Management Initiatives #03099-141-AT	5/28/91	- 0 -	- 0 -	The audit recommended that ASCS develop and implement procedures to prioritize and report delinquent debt to credit bureaus, ensure that implementation timeframes are met, notify Congress of ASCS/CCC's intent to refer delinquent debts to private collection agencies, develop referral procedures and timeframes to complete implementation, and revise selection criteria to screen eligible debts delinquent more than 1 year for Federal tax refund offset. Final action is delayed pending implementation of a system to report delinquent debts to credit bureaus. Completion is scheduled in FY 1994.
1988 and 1989 Disaster Assistance Program Operations #03099-144-TE*	6/5/90	(293,201) 148,519	- 0 -	The audit has five recommendations of which one is complete. The remaining findings are that ASCS combine Producer A and Corporations A and B for payment limitation purposes and recover the ineligible payments, recover the funds disbursed to Producers C, D, and E, and combine Corporation C and Producer F for payment limitation purposes and recover the ineligible funds. An administrative appeal was filed and subsequently denied. Collections are delaying final action.

Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds To Be Put To Better Use (Total) Remaining	Reason Final Action Incomplete
Conservation Reserve Program in Moore and Randall Counties, Texas, and Arapahoe County, Colorado #03099-146-TE	9/21/90	(482,986) 73,654	(211,026) - 0 -	The audit has four recommendations of which two are complete. The remaining findings are that ASCS either recover all the payments from producers involved in a scheme or device to circumvent payment limitations or only recover those payments in excess of \$50,000 per year since 1987, and terminate the CRP contracts and withhold future payments, including successors-in-interest, based on the scheme or device determination. Collections are delaying final action.
Actions on Payment Limitations for 1987 in Idaho #03600-1-SF	5/19/89	(1,118,793) 789,950	- 0 -	The audit has 10 recommendations of which 4 are complete. The remaining findings are that ASCS collect questionable payments. Collections are delaying final action.
Payment Limitations for 1987 in California #03600-2-SF*	6/14/89	(566,194) 306,806	- 0 -	The audit has four recommendations of which two are complete. The remaining findings are that ASCS collect the questionable and duplicate payments. Final action is delayed pending the results of legal action filed by the producers against the Secretary of Agriculture.
Maximum Payment Limitation Provisions for 1987 in Texas #03600-4-TE*	10/19/89	(688,596) 163,464	- 0 -	The audit has eight recommendations of which seven are complete. The remaining finding is that ASCS review the facts and determine whether the individuals engaged in a scheme to evade the payment limitation rules. If so, recover the 1987 crop year program payments and all marketing gains paid to these operations. An administrative appeal was denied and ASCS established claims for collection.
Maximum Payment Limitation Provisions for 1987 in Arizona #03600-5-TE	6/8/89	(525,619) 525,619	- 0 -	The audit recommended that ASCS review the financing arrangement of the entities, combine the entities for payment limitation purposes, and collect improperly disbursed funds. Final action is delayed pending the results of legal action filed against the Secretary of Agriculture.



Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds To Be Put To Better Use (Total) Remaining	Reason Final Action Incomplete
Internal Administrative Controls for Program Operations #03600-7-KC	6/29/90	- 0 -	- 0 -	The audit has six recommendations of which four are complete. The remaining findings are that ASCS develop and implement procedures to require the use of quantified and qualified cost, benefit, and risk analyses to determine the methodologies and techniques used to accomplish internal control objectives and the appropriate scope of program compliance. The revision of handbooks is delaying final action. Completion is scheduled in FY 1993.
1989 Payment Limitation Cases in Kings County, California #03600-9-SF	3/8/91	- 0 -	(89,064) 89,064	The audit recommended that ASCS disallow program payments approved for the general partnership for the 1989 crop year. Collections are delaying final action.
Large Payments for 1986, R.C. Farming Partnership #03645-11-SF*	4/20/89	(825,096) 825,096	- 0 -	The audit recommended that ASCS obtain repayments from R.C. Farming Partnership (R.C.), review R.C.'s operations for subsequent years to determine whether the conditions noted in the audit continue, and recover any resulting overpayments. Final action is delayed pending a determination from the U.S. Attorney in San Francisco as to whether the producers will face criminal prosecution.
Large Payments for 1986, La Reata Farms #03645-17-TE*	6/2/89	(1,289,513) 1,334,537	(27,232) - 0 -	The audit has two recommendations of which one is complete. The remaining finding is that ASCS review all facts, confirm that La Reata engaged in a scheme or device to circumvent the payment limitation and recover the funds. Final action was delayed due to an OIG investigation and an administrative appeal. The appeal was denied and ASCS established claims for collection of the funds. Liquidation of the claims is delayed because the producers filed for bankruptcy.
ASCS Subtotal		(7,932,018) 4,827,815	(173,259,561) 170,089,064	

Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds To Be Put To Better Use (Total) Remaining	Reason Final Action Incomplete
<b>FARMERS HOME ADMINISTRATION</b>				
Administration and Management, West Virginia State and County Offices #04001-36-HY	3/8/91	(51,777) - 0 -	- 0 -	<p>The audit recommended that FmHA provide training on household budgets, review and calculate budgets and/or financial statements to determine borrower repayment ability, obtain completed Notification of Loan Closing from borrowers and, if changes are indicated, recalculate repayment ability and interest credit. In addition, obtain credit reports to determine credit worthiness, obtain inspections for existing dwellings and approval for property that exceeds the square footage allowance, provide training on the calculation of income, review interest credit calculations and recover unauthorized interest credit. It also was recommended that FmHA document appraisal decisions and use current appraisals to determine market value, timely advise applicants of eligibility, develop a policy that constitutes adequate housing for mobile homes, and graduate the borrower in Kingwood and collect the unauthorized interest credit.</p> <p>Additionally, FmHA was to provide training on equity value when applicants own a dwelling, verify the 1988 and 1990 income, determine whether sick leave was paid during breaks in employment and determine unauthorized interest credit received, provide training on the granting, servicing, collection and internal control procedures and reamortization of moratoriums, develop procedures and a monetary formula to determine the fidelity type bonding requirement, and monitor supervised bank accounts to ensure timely completion of planned development. Disposition of the disallowed costs is delaying final action.</p>

Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds To Be Put To Better Use (Total) Remaining	Reason Final Action Incomplete
Implementation of the Office of Management and Budget's Nine Point Credit Management Program #04006-2-AT*	8/10/88	- 0 -	- 0 -	The audit has 24 recommendations of which 21 are complete. The remaining findings are that FmHA report delinquent commercial and consumer debts to credit bureaus, use the Office of Management and Budget (OMB) and Treasury guidelines to report debt information to credit bureaus, develop an automated accounting and tracking system for cases referred to the Department of Justice (DOJ), and implement recommendations resulting from the caseload reconciliations project. FmHA is working on design modifications to implement the automated tracking system. The target date for completion is February 1993. The Litigation Tracking System is delayed pending a decision to develop an integrated USDA-wide tracking system.
Binghamton County Office #04011-244-HY*	10/19/90	- 0 -	- 0 -	The audit has 15 recommendations of which 14 are complete. The remaining finding is that FmHA recode employee loans into offices where neither employees nor their subordinates will have update capability on the files. Final action is delayed pending implementation of FmHA Instruction 1900-D.
Canton County Office #04011-246-HY	8/7/91	- 0 -	- 0 -	The audit has 12 recommendations of which 11 are complete. The remaining finding is that FmHA implement the loan coding changes to identify the office with servicing responsibility and preclude employees from processing transactions either on their loans or loans of their superiors. In the interim, ensure that employee loans are monitored by the servicing officials for unauthorized transactions. Final action is delayed pending implementation of FmHA Instruction 1900-D.



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Housing Preservation Grant Program #04099-69-SF*	12/28/88	- 0 -	- 0 -	The audit has nine recommendations of which three are complete. The remaining findings are that FmHA issue instructions to ensure grantees prepare Financial Status Reports that reconcile with their accounting records, complete repair projects prior to closing out the grant agreement, and certify that final building inspection reports are reviewed and filed prior to submission of the final progress reports. FmHA expects to publish a regulation in December 1992 to incorporate the audit recommendations.
Collection Systems and Other Selected Areas #04099-72-FM*	9/28/90	(313) 313	(254,273) 254,273	The audit has 12 recommendations of which 5 are complete. The remaining findings are that FmHA revise the State Evaluation and Coordinated Assessment Review to require an evaluation of sales of acquired property, document deductions to sale prices and deposit the sale proceeds, ensure that sale commissions and other fees are paid at closing by deductions from sale proceeds, revise procedures to adhere to IRS reporting requirements, develop an automated mechanism to issue appropriate forms to IRS and to individuals receiving income from sales of acquired property, require reappraisals from local taxing authorities when FmHA appraisals indicate that the market values have declined, reemphasize that escrow agents are to submit collections on the closing date, report employee defalcation accounts to the IRS for offset against future tax refunds, amend procedures to request income tax refund offset on employee defalcation accounts, and amend procedures to accrue interest on employee defalcation accounts at a rate of interest no less than FmHA's cost to borrow funds. FmHA decided that filing information returns for payments deducted from acquired

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				sales proceeds would not be included in the development of OFM's National Finance Center's Type "60" Purchase Order System. FmHA's evaluation for alternatives is methods of providing IRS reporting revisions to the complete. The target date for revisions to the appropriate forms and manuals and for requesting alteration to the Automated Accounting System is December 1992.
Debt and Loan Restructuring System and Related Systems Modifications #04099-74-FM*	9/25/90	- 0 -	- 0 -	The audit has six recommendations of which five are complete. The remaining finding is that FmHA clarify whether loans of the same type, but with different interest rates, should be consolidated, and make appropriate changes to Agency procedures. Final action is delayed pending publication of the revised FmHA Instruction 1951-S.
Grazing Association Loan Restrictions #04099-95-KC*	1/27/89	(3,547,732) 3,284,809	- 0 -	The audit has four recommendations of which three are complete. The remaining finding is that FmHA require grazing associations not in compliance with their loan restrictions to adhere to program requirements or liquidate the loans. Final action is delayed due to the large number of financially complex cases. In some cases, foreclosure is underway involving OGC and DOJ. FmHA expects resolution of all cases in early FY 1994.
Debt Restructuring for Delinquent Borrowers, Missouri #04099-105-KC	10/12/90	- 0 -	- 0 -	The audit has five recommendations of which four are complete. The remaining finding is that FmHA refer all cases to OIG when there is evidence of converted collateral. Reissuance of Administrative Notices is delaying final action.



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Servicing of Rural Rental Housing Borrowers, Kansas #04099-108-KC*	7/11/90	(468,858) 68,436	- 0 -	The audit has five recommendations of which four are complete. The remaining finding is that FmHA review management reports for all Rural Rental Housing (RRH) projects to identify improper and excessive use of funds and apply any excess funds to the FmHA loan. FmHA has received payments and increased the reserve on some accounts. The remaining accounts are pending extra payments.
Servicing of Rural Rental Housing Borrowers, Wyoming #04099-109-KC	1/24/91	(62,161) - 0 -	(4,586) - 0 -	The audit has four recommendations of which three are complete. The remaining finding is that FmHA determine whether the Interest Credit Agreement (ICA) for Project B should have been canceled and recover the excessive interest credit. Final action is delayed due to an OGC determination on the legality of retroactive collections.
Rural Rental Housing Projects, Montana #04099-115-KC	1/15/91	(1,285,777) 1,285,777	- 0 -	The audit recommended that FmHA instruct the borrower to comply with all provisions of the loan and applicable FmHA regulations, to follow prescribed procedures to change rents, to roll back rents to the FmHA authorized level, to correct the unauthorized rental increases, to timely submit annual reports, to provide a full accounting for project income and require Certified Public Accountant (CPA) reports, to refund all rental assistance payments, and that FmHA coordinate with the Department of Housing and Urban Development and the housing authority to ensure the borrower properly reports approved rents, and determine if continued interest credit is in the best interest of the Government. Final action is delayed pending an acceleration notice sent to the borrower and a possible appeal hearing.

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Management of Six Rural Rental Housing Projects, Montana #04099-116-KC	3/4/91	(1,484,131) 1,484,131	- 0 -	The audit recommended that FmHA coordinate with OGC and OIG on servicing actions to minimize losses and the potential for criticism of the Government; require collection of unauthorized withdrawals and interest, require the borrower to restore proper balances to the reserve and operating accounts and apply any remaining funds not needed to FmHA loan obligations; review the propriety of management fees, repair and travel expenses, and collect any improper fees; initiate debarment proceedings; require the borrower to fully fund tenant security deposit accounts and to account for deposits and withdrawals, follow the proper accounting procedure for determining and reporting laundry and miscellaneous income, provide for a CPA audit of accounts after 1985 and submit past due management reports; resolve the unauthorized liens against the FmHA loan collateral, and pay delinquent taxes and establish and fund a tax escrow account for projects. FmHA accelerated loans and referred projects to OGC for foreclosure. Final action on the remaining projects will be completed in FY 1993.
Management of Four Rural Rental Housing Projects, Wyoming #04099-118-KC	11/30/90	(2,013,601) 2,013,601	- 0 -	The audit recommended that FmHA coordinate with OGC and OIG on servicing actions to minimize losses and the potential for criticism of the Government; require the borrower to restore proper balances to the reserve and operating accounts and apply any remaining funds not needed to FmHA loan obligations; require payment of all delinquent taxes; initiate proceedings to debar the borrower and officers of the current management firm; review the propriety of project repair expenses, management fees, and travel expenses; require the borrower to provide a CPA audit of accounts after 1985 and to submit past due management reports, and to fully fund tenant security deposit accounts for each project

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				and account for deposits and withdrawals. OIG's investigations are complete. Debarment, foreclosure and agreements between the borrowers and the U.S. Attorney's Office delayed final action. Unauthorized withdrawals will be reimbursed through the sale of property.
Debt Management of Defaults on Guaranteed Loans #04099-118-TE*	6/11/87	- 0 -	- 0 -	The audit recommended that FmHA modify Instruction 1980-A to include procedures to monitor the recovery and collection actions of lenders subsequent to payment of loan guarantee loss claims. The revised regulation is in its final review by FmHA and a proposed rule will be published in the Federal Register by December 1992.
Guadalupe Economic Services Corporation Housing Preservation Grant #04099-145-TE*	4/24/89	(133,360) 48,916	- 0 -	The audit recommended that FmHA terminate the grant for poor performance and failure to account for funds and interest earned on advances. The borrower is on a repayment schedule which is delaying final action.
Housing Preservation Program Grant to Motivation, Education, and Training, Inc. #04099-151-TE*	12/28/89	(8,080) 7,965	- 0 -	The audit has three recommendations of which two are complete. The remaining finding is that FmHA obtain payment from Motivation, Education, Training, Inc., (MET) for construction of a new home that was not eligible for program assistance. Final action is delayed pending a legal opinion on MET's debt settlement request.



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Interest Credit Provisions in Oklahoma #04099-163-TE	4/17/91	(2,147) 2,147	- 0 -	The audit has four recommendations of which one is complete. The remaining findings are that FmHA prepare corrected ICA's, recover excessive interest credits received, grant additional interest credits to the cited borrowers, provide information on the errors found in this audit to Agency personnel for use in computing the next interest credit renewals, and review guidance and follow up to assure future interest credit renewals are computed correctly. FmHA is making collections through revised ICA's. Final action was delayed pending the reissuance of an expired Administrative Notice.
Assessment of FmHA's Interest Credit Provision in Louisiana #04099-164-TE	4/30/91	(3,005) 3,005	- 0 -	The audit has three recommendations of which two are complete. The remaining finding is that FmHA prepare corrected ICA's, recover the excessive interest credits, and grant additional interest credits to the cited borrowers. Collection of the disallowed costs is delaying final action.
Labor Housing Program #04099-198-AT*	9/30/86	- 0 -	- 0 -	The audit has 15 recommendations of which 12 are complete. The remaining findings are that FmHA emphasize that no rental income be received from tenants in single family-type labor housing when loan agreements are waived; require borrowers to account for rental income, to execute loan agreements if they collect rent, and to establish the necessary accounts; and advise borrowers that violations could result in loan foreclosure. FmHA's revised regulations are expected to be published in December 1992.

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Compliance With Promptness for Standards for Loan Approval and Appeal Actions #04099-282-AT*	7/31/89	- 0 -	- 0 -	The audit has five recommendations of which four are complete. The remaining finding is that FmHA revise its internal process to include reviews to determine whether completed application dates are accurate and documented properly. FmHA's Automation Review Council recommended that the Management Record System (MRS) not be implemented nation-wide. FmHA subsequently announced that the Agency would proceed to implement the application processing module of MRS nation-wide. The target date to implement this module is January 1993. Software development for Enhanced Interest Rate Validations is delayed due to implementation of the 1990 Farm Bill.
Rural Housing Loans on Manufactured Homes #04099-284-AT*	8/16/89	- 0 -	- 0 -	The audit has two recommendations of which one is complete. The remaining finding is that FmHA ensure that personnel use no higher than average quality cost factors to appraise manufactured houses. FmHA drafted a regulation incorporating the agreed upon change and published an Advance Notice of Proposed Rulemaking. The proposed rule is expected to be published by February 1993.
Rural Rental Housing Program, Lexington, Kentucky #04099-299-AT	9/28/90	(181,592) 181,592	(716,034) - 0 -	The audit has 14 recommendations of which 9 are complete. The remaining findings are that FmHA recover the excess loans on the cited RRH projects; reduce loan amounts, as appropriate; monitor compliance requirements for disclosure of identities of interest and review future loan documents and identity-of-interest certifications, compare actual trade-item costs to estimated costs, and allow excess costs only on approved contract change orders; enforce the requirement that contractors submit change orders before costs are shifted between trade items and require contractors to explain significant differences

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				between estimated and actual costs prior to closing loans; request that the State architect compile customary and reasonable RRH construction costs and fees for the State and compare the data with estimated development costs on future projects with justifications required for differences, and fully implement cost containment instructions by reducing costs and eliminating unnecessary or elaborate amenities. FmHA is developing regulations to prohibit a contractor from subcontracting construction. Publication is expected in December 1992. One complex is under investigation by OIG and no action can be taken until the investigation is complete.
Protection for Purchasers of Farm Products #04099-317-AT	8/26/91	- 0 -	- 0 -	The audit recommended that FmHA conduct a study of the cost/benefits of fully implementing Section 1324 of the Act; pursue recovery from third-party purchasers of farm products, and pre-notify potential buyers of farm products by either participating in States' central filing systems or providing legally enforceable written pre-notifications, including social security numbers. A study of cost/benefits is complete and a decision memorandum is pending clearance within the Agency.
Rural Rental Housing Program Compliance #04600-1-SF*	8/17/89	- 0 -	- 0 -	The audit has eight recommendations of which six are complete. The remaining findings are that FmHA require the borrower to submit financial statements audited by a CPA for each of the RRH projects, to review management fee expenses not reviewed by OIG, and to correct any overcharges found. An OIG investigation is delaying final action.



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Rural Rental Housing Program, Project Operations, Harrisburg, Pennsylvania #04600-2-HY	10/4/90	- 0 -	- 0 -	The audit has 22 recommendations of which 13 are complete. The remaining findings are that FmHA develop an automated system to track the performance, receipt, and review of annual analyses of RRH projects; train personnel to analyze financial reports; compare data on RRH borrower financial reports for consistency; obtain and use data from local markets to set fair and equitable management fees; require the management companies to reimburse the projects for the unallowable expenses; revise forms to track borrowers' replacement reserve accounts; require the management company to reimburse the RRH project rental account; require the management company to submit a 1990 income certification and to reimburse the RRH project for unapproved advances and understated rent receipts. FmHA is working on the implementation of the automated tracking system. Manual tracking is maintained by the Multi-Family Housing Coordinator. FmHA collected data to set management fees; however, the work of compiling this data and revising the filing system and reserve account tracking form has been delayed due to the lack of a RRH loan technician in the State Office. A repayment schedule was established for one management company to repay unauthorized expenses. Foreclosure and failure to correct tenant certifications are delaying final action.
1988 Drought Emergency Loss Loans in Texas #04600-2-TE*	12/26/89	(38,750) 3,871	- 0 -	The audit has eight recommendations of which seven are complete. The remaining finding is that FmHA collect emergency funds duplicated by ASCS disaster payments. The borrower is on a repayment schedule which is delaying final action.

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Rural Area Eligibility Designations in Washington, D.C. #04600-4-AT*	12/5/89	- 0 -	- 0 -	The audit has seven recommendations of which four are complete. The remaining findings are that FmHA revise its regulations to require more reviews when rapid development affects existing boundary lines, require contacts with local planning officials and documentation of planned development which impacts boundary determinations when rural area reviews are made, further define land types and uses that qualify as open space, and specify that boundary designations include required open spaces within the ineligibile nonrural areas. The regulation is drafted and will be included as part of a major revision to FmHA Instruction 1944-A. The regulation is anticipated to be implemented by September 1993.
Rural Rental Housing Program Project Operations in Texas #04600-4-TE	2/19/91	- 0 -	(545,908) 538,065	The audit has 13 recommendations of which 9 are complete. The remaining findings are that FmHA clarify instructions to borrowers who have not funded reserve accounts and restored unauthorized withdrawals, determine proper disposition of commingled reserve accounts and tenant security deposit funds, require fidelity bonding and worker's compensation insurance, resolve differences in the Automated Multiple Housing Accounting System and borrower records, and follow up and resolve the ownership change request. Implementation of the FmHA Instruction is delaying final action.
Rural Rental Housing Program Project Operations in California #04600-5-SF*	10/19/90	- 0 -	- 0 -	The audit has 13 recommendations of which 11 are complete. The remaining findings are that FmHA evaluate the underfunded reserve accounts, take actions to fund the accounts at the required level and process the paperwork to approve the changes in the reorganized partnerships. FmHA's reserve accounts for the projects remain underfunded. However, the owners have infused capital at various times to meet project needs. FmHA evaluated the circumstances on these accounts and



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				determined that the underfunding is due to vacancy problems and lack of adequate budgetary control by the management agent. FmHA is working with the management agent on problems. FmHA has not received the necessary paperwork from the borrowers to process formal approval of the reorganized partnership changes. This is delaying final action.
Labor Housing Loan Program in Washington, D.C. #04600-6-AT*	1/26/90	- 0 -	- 0 -	The audit has seven recommendations of which three are complete. The remaining findings are that FmHA assign sufficient resources to publish the proposed regulation to address the conditions contained in the audit. Publication of the revised regulation is delaying final action.
Administration of the Rural Rental Housing Program's Rental Assistance and Interest Credit #04600-6-CH	3/30/90	- 0 -	(69,370,000) 8,770,000	The audit has eight recommendations of which one is complete. The remaining findings are that FmHA notify its State Offices of the results of the audit; strengthen RRH instructions to require disciplinary actions for tenants who do not comply with income-reporting instructions and borrowers who do not comply with income verification instructions; issue an instruction to specify when changes to a tenant's permanent income are sufficient to warrant recertification; obtain income and benefit information to compare with tenant certifications; provide guidance on conducting reviews of tenant reporting and RRH borrower verification of tenant incomes; revise instructions for conducting supervisory visits, provide for the minimum coverage required to review borrower's methods for verifying tenant income and deductions, and clarify the corrective actions available for RRH borrower compliance with supervisory visit recommendations. Extensive regulatory revisions are complete and are in final clearance.

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Guaranteed Loan Interest Rate Buydown Program #04600-7-RT*	3/29/90	- 0 -	- 0 -	The audit has nine recommendations of which six are complete. The remaining findings are that FmHA require lenders to submit a completed Section A of the Lender's Checklist with other documents submitted for approval; establish procedures to ensure the review of cash flow items for Approved and Non-Approved Lender Program lenders; and establish closing procedures to require lenders to certify before loan closing that off-farm income, farm debts, and ASCS payments were verified and crop yields were based on 5-year average yields for other sources. The 1990 Food, Agriculture, Conservation and Trade Act required regulatory changes to implement a "Loan Assessment" program. FmHA Form 449-23 is revised and reissuance is delayed due to the need to incorporate it into the "Loan Assessment" regulations. The drafting of these regulations is delayed due to implementing the recommendations of the Guaranteed Loan Task Force. Publication of the proposed regulations is anticipated in May 1993, with final publication expected by October 1993.
Management of Rural Rental Housing and Rural Housing Programs in Washington, D.C. #04600-8-CH	3/19/91	- 0 -	(4,444,815) 4,444,815	The audit recommended that FmHA develop and implement procedures to prioritize and rank all RRH projects for funding from pooled funds, approve RRH projects for funding in the order of their priority, require State Offices to provide the National Office with documentation to show that conditions for preapplication approvals are addressed, establish procedures to identify State Offices that do not require RRH loan applicants to submit their completed applications in order of priority, rescind the preapplication approval for the Highland Square RRH project, issue instructions to prohibit States from

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				replacing applications funded with other preapplications to maintain a continuous level of 150 percent of the State's annual RRH loan allocation, reinstitute the requirement for State Offices to suballocate RRH funds to District Offices when the State's allocations exceed a set amount, instruct all State Offices to give each District Office the opportunity to fund applications up to its allocated amount, require State Offices to report the number and value of approved preapplications on file, and follow up with the Indiana State Office to make sure that inactive preapplications and preapplications with low priority point scores have been withdrawn. Publication of the revised regulations is anticipated in December 1992. FmHA is changing its accounting system to include the capability of tracking the number of preapplications and applications on hand at any given time. This is delaying final action.
Emergency Loss Loan Program #04600-9-AT*	5/3/90	- 0 -	- 0 -	The audit has 14 recommendations of which 12 are complete. The remaining findings are that FmHA follow the provisions set forth in the Memorandum of Understanding (MOU) and either revise the MOU or Form FmHA 1945-29 to ensure that conditions reported in prior audits are not allowed to continue. FmHA signed a new MOU with ASCS in September 1992. Final action is delayed due to incorporation of the MOU into the emergency loan training package.
Management of Rural Rental Housing and Rural Housing Program, North Raleigh, North Carolina #04600-10-AT	7/25/90	(129,106) 129,106	- 0 -	The audit has 12 recommendations of which 9 are complete. The remaining findings are that FmHA review the projects and service the ineligible loans in accordance with FmHA Instruction 1951-N; adjust loan accounting records to reflect the loan obligation for the Kernersville Congregate project; report any Anti-Deficiency Act violations, if appropriate; review the



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Servicing of Borrowers Participating in the ASCS Conservation Reserve Program #04600-11-AT*	8/7/90	- 0 -	- 0 -	<p>questionable loan expenditures; and require all ineligible items to be serviced in accordance with FmHA Instruction 1951-N. FmHA submitted a demand letter to the borrower for repayment.</p> <p>The audit has four recommendations of which three are complete. The remaining finding is that FmHA issue instructions specifying how to adjust comparable property appraisal values and how to determine income-based appraisal values to reflect CRP contract values. Due to the Financial Institution Reform, Recovery, and Enforcement Act of 1989, FmHA is required to rewrite the appraisal regulations. The target date for completion is FY 1993.</p>
Administrative Appeal Procedures #04600-13-AT	3/27/91	- 0 -	- 0 -	<p>The audit has 14 recommendations of which 11 are complete. The remaining findings are that FmHA revise its regulations to address the weighing of oral and documentary evidence and the relevance of FmHA actions or inactions that are not related to the issues under appeal; to provide that hearing officers (HO) may not evaluate FmHA decisions based on criteria not contained in FmHA regulations or overturn FmHA decisions based solely on the appellant's unsupported oral testimony; to provide complete procedures for reviews of nonappealable decisions, grant appeal decision review rights to FmHA Assistant Administrators for factual errors contained in HO decisions; to clarify when new information may and may not be used in an appeal; and to require HO decisions to cite FmHA regulations, where appropriate, and to delete the provision allowing appeal decisions based on a HO's general knowledge. Regulation changes are pending clearance and publication of the proposed FmHA Instruction 1900-B. The delay in final action is due to the departure of</p>

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Rural Rental Housing Program, Project Operations, Ohio Columbus, Ohio #04600-13-CH	3/22/91	- 0 -	(89,641) 89,641	key personnel, lengthy clearance of regulations, and the moratorium on publication of new regulations. FmHA agreed to publish the "Standard of Review" for public comment prior to inclusion in Agency regulations.  The audit has 13 recommendations of which 11 are complete. The remaining findings are that FmHA require the management companies to reimburse RRH projects for the excess management fees and require the management companies or borrowers to reimburse the projects for the questionable expenses and unreported income. FmHA sent demand letters for repayment of excessive management fees. Final action is delayed due to a repayment schedule.
Nationwide Audit of County Office Operations #04642-1-TE*	7/16/85	- 0 -	- 0 -	The audit has 48 recommendations of which 44 are complete. The remaining findings are that FmHA strengthen internal controls, develop and implement a method to issue refund checks, and improve controls over Interest Credit Recapture (ICR) operations. Automation of ICR is in the requirements phase of development. This project is affected by the pending revisions to FmHA Instruction 1951-I, "Recapture of Section 502 Rural Housing Subsidy," which should be published by August 1993.
Farmer Program Guaranteed Loans Need Improvement #04665-2-TE*	9/29/88	- 0 -	(483,405,395) 349,800,000	The audit has 17 recommendations of which 14 are complete. The remaining findings are that FmHA obtain statements from lenders indicating that they reviewed the borrower's financial information and could not consider giving a loan, implement policies and procedures to collect debts on defaulted loans, and computerize controls to detect and to prevent borrowers who default on FmHA loans from obtaining subsequent FmHA loans. Final action is delayed due to the need to complete the analysis of the Price Waterhouse report findings by the Credit Quality Task Force. The Task

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				Force expects completion in early FY 1993. Those recommendations acceptable to FmHA and Congress will be included in the proposed "Loan Assessment" regulations, which are planned to be published in May 1993. Final regulations are expected by October 1993. FmHA has delayed implementation of the computerized controls of the Guaranteed Loan Accounting System pending development of the mandated Information System Plan.
Nationwide Review of Selected Program Areas #04669-2-FM	9/29/89	- 0 -	(1,597,300) 1,056,000	The audit has 12 recommendations of which 10 are complete. The remaining findings are that FmHA closely monitor the timeliness of processing ICA's, prepare quarterly reports to identify field offices which are not timely renewing or canceling ICA's, distribute these reports and implement controls to ensure timely cancellation/renewal, and incorporate edit checks into the various automated systems to identify questionable loan interest rates. The MRS is still under development. Therefore, there is no way for the field offices to monitor the timeliness of renewing or canceling ICA's. This is delaying final action.
Debt Restructuring for Delinquent Borrowers, Implementation of Primary Loan Service Program #04673-7-SF	6/27/91	- 0 -	- 0 -	The audit has 26 recommendations of which 6 are complete. The remaining findings are that FmHA verify crop acreages, yields, and program payments with ASCS; determine if any changes within the borrower's control have occurred which materially affect the debt restructuring decision and provide guidance on determining the materiality of changes and amending decisions when material changes occur; clarify procedures for calculating production and living expenses, issue instructions that borrowers' plans of operation be reviewed to determine the shortest appropriate deferral period and that a Farm and Home Plan for the year after the deferral be prepared; provide training on reconciliation of the FmHA security



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				<p>in existence at the time of debt restructuring; determine the remaining useful life of buildings, institute second-party reviews of appraisals and net recovery value calculations; develop guidance to ensure that the level of security is determined on a loan-by-loan basis; provide training on new terms for loans; clarify procedures for shared appreciation and net recovery buyout recapture agreements; develop procedures to download interest rates and current interest rates when changes are made; clarify the policy on tax liability when determining the borrower's ability to cash flow after debt restructuring and provide instructions to implement that policy; expand the language or develop another means of notifying borrowers of the requirement to provide FmHA with substantiated estimates of tax liability resulting from debt writedown; perform tests on the amount of tax liability estimated by borrowers; determine at what dollar level it becomes cost beneficial to pursue revising erroneous debt-restructuring decisions; and request OGC's opinion as to whether FmHA has legal recourse to change an improper debt-restructuring decision for a borrower who has received a net recovery buyout. FmHA requested an OGC opinion and direction to the field will be given when the legal opinion is received. An Administrative Notice is pending to allow for downloading discount and current interest rates when changes are made by the National Office.</p>
Debt Restructuring Decision, Borrower 9WA-01, Douglas County, Washington #04675-2-SF	1/2/91	(36,207) - 0 -	- 0 -	<p>The audit has two recommendations of which one is complete. The remaining finding is that FmHA reinstate the debt written off for this borrower. FmHA has concluded appeal procedures for the unauthorized assistance. Final action is delayed due to the disposition of the disallowed costs.</p>

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Unauthorized Use of FmHA Inventory Farm Property #50099-20-AT*	5/17/89	(498,612) 487,370	- 0 -	The audit has four recommendations of which three are complete. The remaining finding is that FmHA consult with OGC to determine whether there is legal recourse to seek compensation from trespassers. FmHA referred five cases to OGC, and determinations on four cases are complete. Final action is delayed because the fifth case is being held in the U.S. Attorney's Office for legal action.
Oversight of Program Operations Through the Use of Certified Public Accountants #50659-4-CH*	3/31/87	- 0 -	- 0 -	The audit has 13 recommendations of which 12 are complete. The remaining finding is that FmHA develop an automated system to track audits and to follow up when reports are not received. FmHA is designing an automated system which is part of the overall FmHA automation process that has been put on hold while a business plan is developed for Agency automation. FmHA currently has a manual card box management system.
FmHA Subtotal		(9,945,209) 9,001,039	(560,427,952) 364,952,794	
FEDERAL CROP INSURANCE CORPORATION				
Reinsurance Operations - Mississippi #05099-11-AT*	03/31/88	(822,104) 822,104	(12,680,562) - 0 -	The audit has six recommendations of which four are complete. The remaining findings are that FCIC either establish claims for loss overpayments or provide justification that a claim is not appropriate. The judicial appeal process for one insured is complete. FCIC set up an accounts receivable and the insured will be added to the ineligible list. The other insured submitted a revised accounting report to resolve the recommendation. FCIC is delaying final action because of a pending lawsuit against FCIC by the company.



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Hybrid Seed Crop Insurance #05099-15-CH*	10/04/89	(356,940) - 0 -	(230,014) - 0 -	The audit has 13 recommendations of which 11 are complete. The remaining findings are that FCIC revise its hybrid seed policy provisions to require that growers submit a copy of their seed company contracts along with the acreage reports for use in determining eligibility, and to require reinsurance companies and master marketers to review the grower's contract to determine if the grower has an insurable interest prior to policy approval. FCIC agreed to issue a revised hybrid seed policy allowing seed companies to have an insurable interest. The policy change is delayed pending completion of changes to the general crop policy.
Claims Adjusted by Crop Hail Management for Indemnities by Producers Who Received Large Payments from ASCS #05099-32-TE*	7/31/89	(41,711) 27,051	- 0 -	The audit has 22 recommendations of which 19 are complete. The remaining findings are that FCIC collect the overpaid indemnity and administrative expenses and adjust the total premium downward on accounting records. FCIC notified the managing general agency to correct the applicable crop year accounting report for the policy. However, the backing company is no longer in the crop insurance business. Since there is no company to offset against, FCIC is redetermining the type of administrative action to follow.
Cash Management Practices With Reinsured Companies - Phase II #05099-39-FM	3/21/91	- 0 -	(6,939,000) 3,538,000	The audit has 14 recommendations of which 12 are complete. The remaining findings are that FCIC develop the means to evaluate premium fluctuations each year, recover any excessive costs, and establish a review group to study the benefits/costs of requiring insureds to pay 50 percent of the adjusted premium when insurance coverage attaches to a crop. FCIC expects to complete implementation of these recommendations by April 1993 and July 1993, respectively.

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Compliance Review Program #05099-51-TE	3/29/91	- 0 -	- 0 -	The audit has six recommendations of which two are complete. The remaining findings are that FCIC establish and publish timeframes for completion of review process milestones, expedite resolution and closing of reviews open on the Compliance Office Tracking System and establish an accounts receivable, either withhold sufficient funds from proceeds due to reinsured companies or establish reserve accounts to assure that identified overpayments are covered before crop insurance agreements are terminated, and incorporate documentation requirements and the checklist into future editions of the Compliance Handbook. FCIC expects to complete the implementation of these recommendations in early FY 1993.
FCIC 1988 Crop Insurance Contracts With Claims #05600-1-TE*	9/29/89	- 0 -	- 0 -	The audit has 19 recommendations of which 13 are complete. The remaining findings are that FCIC enforce provisions for reviews of past yield histories and incorporate these provisions into the Multiple-Peril Crop Insurance manuals, eliminate the use of the premium adjustment factors, expand the Actual Production History (APH) reviews, establish an acceptable APH error rate level and set annual goals to reduce the rate to this level, and require a review of APH data for every claim until the APH error rate is within the established level. FCIC formed a task group to study the APH program. The remaining recommendations will be resolved pending the results of the task group and implementation of the changes to the general crop policy.
FCIC Subtotal		(1,220,755) 849,155	(19,849,576) 3,538,000	

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<b>EXTENSION SERVICE</b>				
University of California, Office of the President, for July 1, 1987 - June 30, 1989 #50563-75-SF	1/28/91	- 0 -	- 0 -	The audit has eight recommendations of which seven are complete. The remaining finding is that direct charges to Federal funds be reviewed and documented and missing invoices be investigated and procedures revised. Training workshops focusing on information to be included in a new section of the Cooperative Extension Service University of California Administrative Handbook delayed final action on this recommendation.
ES Subtotal		- 0 -	- 0 -	
<b>FOREIGN AGRICULTURAL SERVICE</b>				
General Sales Manager 102 and 103 Programs #07099-2-AT*	12/11/90	- 0 -	(6,219,645) 6,219,645	The audit recommended that FAS review claims submitted by assignees of CCC export credit guarantees and, if CCC determines it is liable under the guarantees, recover those losses from the companies that exported foreign tobacco, initiate action to suspend and debar the companies from participation in CCC programs, and recover from two particular exporters losses CCC may incur as a result of Iraq's failure to pay for tobacco purchased with respect to which CCC had issued export credit guarantees. CCC reached agreement with seven exporters and their affiliates regarding their nonparticipation in CCC commercial export programs, proposed debarment of two exporters from CCC programs, and reached agreement with five exporters and their affiliates for advance restitution to CCC of \$1,031,600 as a result of after sales service violations by those



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				exporters. OGC continues to evaluate potential action against specific exporters in light of legal and regulatory requirements and applicable plea bargain agreements. OIG has re-opened an investigation on one tobacco exporter. These actions are delaying final action.
FAS Subtotal		- 0 -	(6,219,645) 6,219,645	
FOREST SERVICE				
Credit and Debt Management Initiatives #08097-1-AT*	6/29/90	- 0 -	- 0 -	The audit has nine recommendations of which five are complete. The remaining findings are that FS develop policies to ensure accounting and financial reporting systems meet the standards for internal consistency established by OMB Circular A-129 and the Treasury Financial Manual Supplement, provide guidance for use in compiling the Schedule 220.9 to ensure that duplicate billings are not included in receivables and accounts are aged from the original billing date, issue guidance to describe the proper accounting treatment for reclassified debts and for offset of cash downpayments, and establish a systematic method to write off uncollectible accounts. FS will publish additional guidance by December 1992. Action was delayed because of other high priority work and limited staffing.
Monitoring of Deficit Unobligated Balances #08099-34-AT*	9/26/89	- 0 -	(23,980,799) - 0 -	The audit has 14 recommendations of which 11 are complete. The remaining findings are that FS review revised financial management procedures to identify and to reestablish financial control features that may have been deleted, perform indepth financial management reviews at the accounting centers that contributed to the FY 1988 Anti-Deficiency Act violations and ascertain

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				definitive causes and solutions for the deficit account balances, and instruct accounting centers and units to compare budgeted funds to actual allocations and require adjustments in obligation authority when actual funding is less than budgeted. FS is revising a handbook to be issued by March 1993. Final action is delayed because a key staff position was vacant for an extended period.
Firefighting Inventory and Property Control #08099-107-SF	1/31/91	- 0 -	- 0 -	The audit recommended that FS establish procedures regarding firefighting inventories, loss information, and equipment and supplies. Final action was delayed due to necessary planning and coordination outside FS for development of the procedures. Action is now complete.
Incurring Costs Audit, Tuolumne Regional Water District #08545-48-SF	11/27/90	(45,110) 26,314	- 0 -	The audit recommended that FS instruct the contractor to submit proper invoices; reconcile actual with budgeted costs; provide instructions on applicable cost principles and standards; approve a special indirect cost rate or require the contractor-subcontractor to negotiate procedures set forth in OMB Circular A-122; and, if the latter, to reconcile actual with the proposed or budgeted overhead costs and adjust the rate for subsequent years; conduct onsite visits to ensure compliance with the established cost principles and accounting procedures; update the contract and/or contract payment files; ensure the renewed contract file contains documentation to support and to track the costs claimed and the payments issued; review contract files to ensure they contain documentation to meet internal control standards established by the General Accounting Office (GAO); and collect the overpayment. Based on the settlement agreement, FS is collecting the overpayment by offsetting a portion of the amount owed by the contractor against quarterly payments due from the FS through March 1994.

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Analysis of Brush Disposal Fund Balance and Expenditures #08600-6-AT*	9/25/90	- 0 -	(3,880,615) - 0 -	The audit has four recommendations of which three are complete. The remaining finding is that FS develop written procedures to charge occupational workers' and unemployment compensation to program funds at appropriate levels to avoid adverse impacts on funds available for brush disposal and other operations. The FS requested a change in the management decision for this recommendation. This is delaying final action.
FS Subtotal		(45,110) 26,314	(27,861,414) - 0 -	
SOIL CONSERVATION SERVICE				
Implementation of Food Security Act Conservation Provisions #10099-10-KC*	9/28/90	- 0 -	- 0 -	The audit has five recommendations of which two are complete. The remaining findings are that SCS require reviews of all conservation plans developed for highly erodible land conservation. Conservation plans that do not provide sufficient information to effectively implement and maintain the conservation systems will be revised or amended during the review to ensure conservation objectives of the Food Security Act (FSA) are accomplished. Effective national, State, and local controls are established to ensure that FSA procedures, reviews, and subsequent revisions to the plans are implemented. Internal control systems applicable to FSA operations are revised to include provisions for providing reasonable assurance that the objectives of the Federal Managers' Financial Integrity Act are achieved. Based on the complexity of the management decision, final action will not occur until December 1994.
SCS Subtotal		- 0 -	- 0 -	



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<b>FOOD SAFETY AND INSPECTION SERVICE</b>				
Indirect Cost Proposals for the 2 years Ended June 30, 1987, for the State of West Virginia Department of Agriculture #24092-23-HY*	05/09/89	(2,522,280) 650,518	- 0 -	The audit has four recommendations of which three are complete. The remaining finding is that FSIS require the State Agency (SA) to carry forward the cumulative over-recovery of indirect costs to the next indirect cost rate negotiation. Fixed rates are established for FY's 1991 and 1992. The remaining disallowed costs will be carried forward as the opportunity arises to adjust a provisional rate to a nominal fixed rate.
Exporting Procedures #24097-1-AT*	02/05/87	- 0 -	- 0 -	The audit recommended that FSIS issue regulations to govern its plans to replace all Poultry Acceptable Quality Level Standards with Finished Product Standards. This initiative is being considered as a candidate under the extended regulatory moratorium.
Labeling Policies and Approvals #24099-5-AT*	6/26/90	- 0 -	- 0 -	The audit has 18 recommendations of which 6 are complete. The remaining findings are that FSIS implement timeframes to complete reviews of applications, establish quality assurance controls; develop expertise and specialization among label reviewers to improve accuracy of approvals; issue policy to ensure that heat-treated products containing poultry are cooked to the prescribed minimum temperature; prepare procedures for approval of health-related claims, require a food technologist to certify applications to show date of review of laboratory analyses and compliance with nutritional labeling claims; implement procedures to track and evaluate subsequent analytical data submitted in support of nutrition claims; revise Nutrition Labeling Verification policies to establish maximum allowable variances from label declarations which occur after

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				label approval; ensure quality of tests performed by laboratories; review policies on amenability to ensure consistent and adequate support for all exemptions made; ensure that (a) label reviewers are trained on amenability rules, (b) amenability determinations are made prior to label approval, (c) exemptions are identified on label applications, (d) copies are provided to regional officials, and (e) regional officials monitor voluntary inspection activities; establish clear policies and procedures on when and how inspectors are to assess inspection fees on nonamenable products; and commit the necessary resources to keep the Label Information System current and accurate if no alternatives can be justified. FSIS is developing regulations to redesign the label approval process. FSIS plans to publish the proposed regulations in early FY 1993.
Accredited Laboratory Program #24099-6-AT	06/28/91	- 0 -	(994,229) - 0 -	The audit has six recommendations of which two are complete. The remaining findings are that FSIS either reduce the cost of the Accredited Laboratory Program to make it cost effective or establish user charges to recover costs; ensure timely data entry of test results, review Cumulative Summation Performance Reports, and prompt corrective action on accredited laboratories which fail to demonstrate acceptable performance; implement procedures to identify accredited laboratories for which FSIS has not compared results of split samples and take appropriate action, and review split sampling procedures with plant inspectors during the course of onsite quality assurance reviews and document compliance. FSIS initiated probation action for laboratories that do not satisfy established standards of analytical



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Monitoring and Controlling Pesticide Residues in Domestic Meat and Poultry Products #24609-1-AT*	11/17/88	- 0 -	- 0 -	The audit has 14 recommendations of which 9 are complete. The remaining findings are that FSIS require residue staff officers to contact producers and other Government and SA's on violations, establish controls to document administrative procedures used to investigate the source and cause of violations, ensure case files are maintained properly, and ensure violations are recorded properly in the Microbiological and Residue Computer Information System. The Contamination Response System directive is scheduled for publication in December 1992.
FSIS Subtotal		(2,522,280) 650,518	(994,229) - 0 -	
FOOD AND NUTRITION SERVICE				
Food Distribution Program, Commodity Inventory Accountability #27002-7-NY*	3/3/88	- 0 -	- 0 -	The audit recommended that FNS implement procedures for the monthly reconciliation of the FNS-155A with the KC-269A report on the receipt of shipments by State Distributing Agencies and develop and implement computer programs to perform the reconciliation. Final action is pending the reconciliation between the FNS-155A/KC-269A. Implementation is expected in FY 1993.

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Food Stamp Program, Computer Match of Federal Employees #27006-1-TE	3/19/91	- 0 -	- 0 -	The audit recommended that FNS determine which Federal information sources would be most effective and efficient for verifying Federal employee and retiree income, notify SA's of alternate data sources and encourage them to modify their Plans of Operation to incorporate these sources of income, coordinate with the Department of Health and Human Services (DHHS) and incorporate those agencies that provide the most effective sources of Federal employee and retiree income into the Income and Eligibility Verification System (IEVS). FNS is examining the use of Federal salary and benefit information as a means of collecting Food Stamp Program (FSP) recipient claims. FNS will apply this information to decide whether its use to prevent overissuances is appropriate. After reviewing all of the analyses, FNS will make a determination as to whether to seek legislation needed to implement the recommendations.
Implementation of the Income Eligibility Verification System in the Food Stamp Program #27013-45-TE*	3/30/90	- 0 -	- 0 -	The audit recommended that FNS increase efforts to ensure compliance with the IEVS by timely followup and enforcement of sanctions, determine whether additional measures are needed to ensure that SA's clear IEVS matches within the regulatory timeframes, provide written guidance that either sets uniform IEVS targeting limits or specifies the elements that the SA's must include in their Plans of Operation, ensure that FSP applicants' households are included in the matching process of IEVS and that data sources of IEVS are not limited to the surrounding States unless it is cost effective, and review the SA's Plans of Operation to ensure that targeting procedures are proper. FNS issued a memorandum in November 1990 to clarify applicant matching in Texas and to restate policy on applicant matching. In September 1990, FNS awarded a contract to conduct a study of targeting strategies under the IEVS regulations. The purpose of the study

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				is to develop information on practical approaches that SA's can use to improve the cost-effectiveness of their IEVS matching/targeting practices. Upon completion of the study, a final Technical Evaluation Report will be provided.
Food Stamp Program, Case File Documentation in Florida #27013-60-AT*	7/12/89	(65,898) 7,388	(5,405,579) - 0 -	The audit has seven recommendations of which six are complete. The remaining finding is that FNS require the SA to complete claims determinations and establish claims for the overissuances. Final action is delayed pending FNS' validation of the State's determinations.
Food Stamp Program, Dade County, Florida #27016-84-AT	3/8/91	(21,774) 8,299	(7,986,362) 5,620,926	The audit has 15 recommendations of which 5 are complete. The remaining findings are that FNS require the SA and district office to closely monitor results of the second-party reviews to assure that adequate resources are available and effectively used to target and review sufficient error prone households to meet the required minimum review standards; conduct face-to-face interviews with applicants whose last certification interview was conducted by telephone; provide Food Stamp Offices (FSO's) with resources and give high priority to eliminating the backlog of unprocessed IEVS matches; complete claims determinations and establish claims for the overissuances; require supervisory review and approval of contingency issuances authorizing retroactive, restored, and supplemental benefits; require the centers to return costs in food stamp coupons that were not provided to departing residents that left the centers before the 16th of the month; ensure that the FSO and the Overpayment/Overissuance, Fraud and Recoupment Supervisors comply with claims processing



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Mound Bayou School Food Authority, National School Lunch and Breakfast Programs, School Years July 1988 through April 1990 #27023-203-AT	1/14/92	(314,549) 73,548	- 0 -	time standards or otherwise complete all claims actions in a timely manner; and implement allotment reductions to recoup the outstanding claims. Administrative actions are complete and FNS is collecting the disallowed costs through a repayment schedule.  The audit has 11 recommendations of which 1 is complete. The remaining findings are that FNS require the School Food Authority (SFA) to restore to the nonprofit food service account those funds improperly expended by the SFA, assure that employees whose wages and fringe benefits are paid from the school food service fund document their time, assure that school food service funds are used only for the school food service program, assure that the SFA develops and implements procedures to properly allocate costs between the school food service program and other school activities, assure that the SFA adopts and implements written policies and procedures for administrative and accounting controls which are reviewed and approved, and assure that a third party is retained to administer the school food service fund until the SFA acquires the equipment and trains personnel to properly manage the funds. Administrative actions are complete, and FNS is requiring restoration of the improperly expended funds through a voluntary repayment schedule.
National School Lunch Program and Commodity Distribution Program, Carlsbad Municipal School District #27023-253-TE*	12/20/89	(78,738) - 0 -	- 0 -	The audit has 21 recommendations of which 10 are complete. The remaining findings are that FNS direct the SA to recover and remit costs for ineligible and unsupported meals, direct the SA to instruct the Carlsbad Municipal School District (CMSD) to compare meal counts to approved free or reduced price applications and to claim only the number of meals served, to implement a review system to ensure the accuracy of the claims, to reevaluate and strengthen

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				controls over CMSD's distribution of tickets, to discontinue claiming free or reduced price meals unless an approved application is on file, direct the SA to provide guidance and technical assistance to CMSD and monitor CMSD to ensure CMSD operates the National School Lunch Program (NSLP) in accordance with regulations, direct the New Mexico Human Services Department to recover and remit costs for the value of overissued commodities, provide guidance and follow up to ensure CMSD maintains accurate perpetual inventory records, instruct CMSD to reconcile perpetual inventory records to monthly physical inventory counts and assure that warehouse personnel are trained in the reconciliation process, require school officials to count and sign for commodities as they are delivered from the central warehouse, provide guidance and technical assistance and monitor CMSD to ensure that the Commodity Distribution Program violations are corrected and do not recur. Administrative actions are complete, and FNS is verifying the SA's full collection of the disallowed costs.
Child Care Food Program, Whispering Wonders Pre-School #27029-175-HY*	3/30/89	(3,868) 1,075	- 0 -	The audit recommended that FNS collect excess reimbursements; instruct the sponsor to report accurately its enrollment for free, reduced price, and paid meals; to establish procedures to ensure that application forms are complete; to collect and maintain all necessary program records; and to claim meals based on actual counts. Administrative actions are complete, and FNS is collecting the disallowed costs through a voluntary repayment schedule.
Child Care Food Program, Hempstead After School #27029-300-HY*	3/28/89	(6,808) 3,905	- 0 -	The audit recommended that FNS collect the questioned costs and instruct the sponsor to document records to support food purchases. Administrative actions are complete, and FNS is collecting the disallowed costs through a voluntary repayment schedule.

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Child Care Food Program, Putnam Child Development Center #27029-305-HY*	3/28/90	(29,734) 16,077	- 0 -	The audit recommended that FNS collect questioned costs, instruct the sponsor to document that correct enrollment is reported, that administrative costs in excess of the maximum allowable are not claimed, that meals are not claimed in excess of license capacity, and that claims are recorded accurately. Administrative actions are complete, and FNS is collecting the disallowed costs through a voluntary repayment schedule.
Child and Adult Care Food Program, Chama Child Development Center #27029-376-HY	4/30/91	(9,796) 1,864	- 0 -	The audit recommended that FNS collect the overpayments and require the sponsor to establish written internal control procedures to ensure that monthly checking is made on claim submissions and that future reimbursements are not in excess of allowable administrative costs, and instruct the sponsor not to allocate those expenses attributable to the program without exceeding the budget by line item. Administrative actions are complete, and FNS is collecting the disallowed costs through a voluntary repayment schedule.
Child and Adult Care Food Program, Children's Colony Nursery #27029-398-HY	8/19/91	(2,973) - 0 -	- 0 -	The audit recommended that FNS collect the over-reimbursement and instruct the sponsor to establish written internal control procedures to ensure that the enrollment reported represents actual and correct enrollment mix. Administrative actions are complete, and FNS is verifying the SA's collection of the disallowed costs.
1986 Child Care Food Program, Boys Harbor, Inc. #27029-961-NY*	10/1/87	(183,174) - 0 -	- 0 -	The audit has six recommendations of which five are complete. The remaining finding is that FNS collect funds paid in excess of program regulations. OGC informed FNS that it would be difficult to recover the overpayments attributed to self-prep sites due to unclear regulations. FNS agreed to revise its regulations to clarify the limitations or disbursements



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1987 Child Care Food Program, Boys Harbor, Inc. #27029-1055-NY*	12/12/88	(63,170) - 0 -	- 0 -	<p>of funds by sponsors. In an effort to clarify this regulatory provision's applicability to sponsors, FNS developed regulations to remove the meals times rates limitation on sponsoring organization disbursements to individual centers. It was subsequently determined not to pursue regulatory action. FNS made a policy interpretation that the regulatory provision only applies to sponsors which actually disburse funds to sites and thus did not apply to Boys Harbor, Inc. The change in FNS' management decision is delaying final action.</p> <p>The audit has 22 recommendations of which 21 are complete. The remaining finding is that FNS collect funds paid in excess of program regulations. OGC informed FNS that it would be difficult to recover the overpayments attributed to self-prep sites due to unclear regulations. FNS agreed to revise its regulations to clarify the limitations or disbursements of funds by sponsors. In an effort to clarify this regulatory provision's applicability to sponsors, FNS developed regulations to remove the meals times rates limitation on sponsoring organization disbursements to individual centers. It was subsequently determined not to pursue regulatory action. FNS made a policy interpretation that the regulatory provision only applies to sponsors which actually disburse funds to sites and thus did not apply to Boys Harbor, Inc. The change in FNS' management decision is delaying final action.</p>

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Alabama Department of Public Health, Special Supplemental Food Program for Women, Infants, and Children, Administrative Costs #27031-22-AT*	1/24/90	(2,831,384) 2,715,884	(1,132,553) 1,132,553	The audit has six recommendations of which one is complete. The remaining findings are that FNS initiate the sanctioning process against the SA to assist in implementation of an effective cost allocation system; determine whether fiscal adjustments and recoveries are appropriate for the overclaimed administrative costs, if so, require the SA to determine the amount of improper claims for FY's 1987 through 1990 and make the necessary adjustments; conduct a followup review to ensure the propriety of cost adjustments and determine that conditions have been corrected; require the SA to implement a cost allocation system to distribute personal services and printing costs; and require the SA to conduct sufficient testing during its internal reviews of subrecipients to ensure the propriety of personal service costs claimed. Administrative actions are complete, and FNS is collecting the disallowed costs through a voluntary repayment schedule.
Debt Management Initiatives #27070-1-AT	2/5/91	- 0 -	- 0 -	The audit has 15 recommendations of which 6 are complete. The remaining findings are that FNS require SA's to report the collection status of FSP household claims to include the age of delinquent accounts; develop procedures to classify quality control sanctions under appeal as collection action suspended; report terminated claims as writeoffs; report the number of claims as accounts receivable and ensure that a balance is due on an account before reporting it on the Schedule 220.9, that FNS develop regulations to permit the offset of salaries and retirement benefits for Federal employees who owe FSP claims; require SA's to use private collection agencies and to develop procedures for routine referral of claims; develop a system to share delinquent FSP household claim information among SA's; pursue legislative authority to require taxpayer identification numbers (TIN); report information to credit bureaus for commercial debts

Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds To Be Put To Better Use (Total) Remaining	Reason Final Action Incomplete
				where TIN's are available; revise FNS regulations to allow charging interest, penalties, and administrative costs on claims against delinquent nonparticipating households; provide guidance for assessing the collectibility of aged accounts; and require SA's to report terminated FSP claims to IRS, and report to IRS closed-out and compromised claims administered directly by FNS. FNS is completing guidance on the use of private collection agencies and anticipates completion in FY 1993. The report to collect data on recipient claims was available in July 1992 and is being provided to SA's. FNS requested input from SA's regarding the sharing of claims information between States and will use this information to simplify the methods of interstate claims collections. FNS anticipates the approval of State computer matching agreements and the Disqualification Reporting System (DRS) implementation nationwide in FY 1993 to permit the interstate exchange of information among SA's about FSP households with delinquent claims. FNS requested legal guidance regarding the application of Federal claims collection standards to State governments. Action is delayed pending legal advice.
Nutrition Assistance Program Block Grant, San Juan, Puerto Rico #27080-3-NY*	7/31/87	(298,370) 298,370	- 0 -	The audit has five recommendations of which two are complete. The remaining findings are that FNS require the SA to coordinate with other Federal Agencies to obtain a proper allocation of administrative funds and require the SA to submit revised financial reports. As of September 1992, DHHS has not approved the Cost Allocation Plan (CAP) submitted by the SA. The approval of the CAP is delaying final action.



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South Carolina Department of Social Services, Food Stamp Program, Hurricane Hugo Activities in South Carolina #27097-4-AT	12/26/90	- 0 -	- 0 -	The audit has four recommendations of which one is complete. The remaining findings are that FNS give priority to issuance of emergency food stamp assistance guidelines; require the SA to develop and implement a plan to investigate and establish claims against households that received duplicate issuances and initiate prosecutions of individuals who abused the program; establish controls to ensure that the 25 percent collection incentive is not retained for claims classified as inadvertent household error; reconcile Charleston County issuances; conduct a followup review to ensure that duplicate issuances have been timely investigated, overissuances recovered or claims established, and controls implemented to remit all recoveries to FNS and ensure Charleston County issuances are supported by proper case file documentation and food stamp accountability reports are reconciled. FNS agreed to publish regulations on disaster procedures. FNS is reviewing experiences from current disaster situations to prepare further rulemaking. This is delaying final action.
Contracting of Food Service Management Companies in the National School Lunch Program #27099-25-SF*	6/20/89	- 0 -	- 0 -	The audit has eight recommendations of which three are complete. The remaining findings are that FNS establish contracting guidelines for Food Service Management Companies (FSMC's), direct the SA to eliminate unnecessary hiring and other restrictions, enforce the requirement that fixed price contracts be awarded through competitive bids, request a waiver to allow fixed price contracts with FSMC's, and require the SFA's using cost reimbursable contracts with FSMC's to install cost controlling provisions on contracts. FNS agreed to improve management controls over procurement and to publish more restrictive regulations. FNS awarded a contract in September 1990



Report Titles	Date Issued	Disallowed Costs (Total) Remaining	Funds To Be Put To Better Use (Total) Remaining	Reason Final Action Incomplete
				to study FSMC's in school nutrition programs. Once the study results are reported and evaluated, FNS will reinstitute rulemaking. This is delaying final action. In the interim, FNS is developing guidance for FSMC contracts. FNS anticipates the guidance to be issued in FY 1993.
Yield Shortages at Better Baked Foods, Inc. #27099-79-CH*	3/15/89	(162,989) 146,980	- 0 -	The audit recommended that FNS recover the value of yield shortages. Better Baked Foods, Inc., disputed the claim and agreed to submit documentation which would warrant a reduction in the claim amount. FNS received an interim payment which represents the amount Better Baked Foods, Inc., believes to be its liability. Better Baked Foods, Inc., submitted additional documentation to support the company's request for a claim redetermination. In June 1992, OIG determined that the company's records did not support a claim redetermination. Better Baked Foods, Inc., is to produce the required records or the claim will be sent to OGC for referral to DOJ for further collection activity. This is delaying final action.
Food Stamp Program, Recouping Claims and Imposing Disqualification Penalties #27600-1-AT	6/27/91	- 0 -	(271,088,908) 271,088,908	The audit recommended that FNS establish timeframes for claims processing and provide for penalties when large backlogs occur; require periodic reports on the status of unworked claims, require States to review tracking systems and to remove outdated, inaccurate, or uncollectible referrals and unworked claims; establish claims accounting systems to eliminate zero-balance, uncollectible, and undocumented claims; increase coverage in management evaluation reviews to detect problem areas and provide corrective action regarding the establishment and collection of claims; and emphasize to States their responsibility for collecting claims for overissuances. In November 1991, FNS participated in a workshop to formulate a plan of action to develop strategies for reducing backlogs for

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Special Supplemental Food Program for Women, Infants, and Children, Administrative Costs, Nationwide #27600-2-AT	2/27/91	- 0 -	- 0 -	<p>the nationwide implementation of the DRS. The DRS is currently in place for intrastate use in five States and FNS and the SA's are negotiating formal agreements on data protection. Implementation of DRS interstate data exchange is pending approval of a uniform matching agreement with the USDA Data Integrity Board. Once approved, FNS anticipates that States will initiate DRS nationwide. Implementation is anticipated in FY 1993.</p> <p>The audit recommended that FNS develop and implement systems to collect and analyze the results of internal and external reviews to identify areas with recurring or nationwide deficiencies and target future reviews to address these areas, perform comprehensive internal reviews of targeted areas, ensure that corrective actions are taken on deficiencies, request that non-Federal audits emphasize administrative cost issues, inform SA's about the deficiencies and require SA's to include an in-depth description of their monitoring of local agency costs and review the plans for compliance with Federal requirements. FNS has given high priority to revising the Expenditure Validation Review (EVR) Guide. FNS' actions to develop this document disclosed that the problem is more complex than had previously been realized. Allocating costs to WIC could not be separated from health programs administered by DHHS. USDA is coordinating with DHHS to develop the guidance. Completion and distribution of the draft allocation guidance is anticipated in FY 1993 for comment and will be piloted, revised, and implemented nationally by December 1994.</p>

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Food Stamp Program, Administrative Costs, Nationwide #27600-2-SF*	3/30/90	- 0 -	- 0 -	The audit has 10 recommendations of which 5 are complete. The remaining findings are that FNS establish a schedule for conducting EVR's, inform the RO's of the conditions identified in other States, work with DHHS to provide direction to States on the proper allocation of costs between Federal and State programs and instruct States that a waiver is required for any allocation method which does not comply with OMB Circular A-87, review the eligibility of the costs allocated between the 75-percent enhanced funding elements of the FSP and the elements eligible for the 50-percent reimbursement, review the eligibility of the costs allocated. FNS is revising its EVR Guide to incorporate the recommended changes and expects to issue the guide in March 1993.
California Department of Health Services, Special Supplemental Food Program for Women, Infants, and Children, Administrative Costs #27600-4-SF	1/3/91	(482,419) 442,138	(141,766) 141,766	The audit has 24 recommendations of which 3 are complete. The remaining findings are that FNS request the SA to implement procedures to review the allowability of costs claimed; to provide documentation to support personal service costs claimed; develop a method for claiming personal service costs which meets the requirements of OMB Circular A-87; collect disallowed costs; develop methods to distribute single audit oversight and general liability insurance costs; clarify for local agencies (LA's) which costs are allowable for nutrition education; revise the WIC Program Manual to conform with Program regulations; determine the correct administrative, personal service, and indirect costs for FY 1988; advise LA's in their claims not to include any expenses which have not been obligated; strengthen internal controls; implement procedures to require CAP's for audit findings and followup to ensure that CAP's are implemented; and



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Special Supplemental Food Program for Women, Infants, and Children, Vendor Monitoring and Food Instrument Delivery Systems #27661-2-CH*	6/15/88	- 0 -	- 0 -	<p>provide clarification of procurement requirements to ensure that the SA obtains approval for equipment purchases. Administrative actions are complete. Final action is delayed pending the reconciliation of the questioned costs.</p> <p>The audit has 38 recommendations of which 10 are complete. The remaining findings are that FNS provide a sufficient administrative budget; analyze the results of management evaluations; identify areas with recurring or nation-wide deficiencies and target future evaluations to address areas determined vulnerable; establish procedures to obtain documentation for corrective action; require SA's to report annually on their monitoring reviews of IA's, to develop methods to prevent vendors from overcharging on food instruments, and to establish high-risk vendor investigative requirements; develop and require SA's to apply sanctions to vendors violating program requirements; require SA's to disqualify vendors disqualified from the FSP and issue regulations; codify a standardized appeal process for SA's; implement the Department-wide nonprocurement, debarment and suspension regulations and require SA's to identify all redeemed food instruments not validly issued; obtain legislative authority to require applicants to obtain/provide social security numbers and require SA's to use minimum matching criteria; and generate listings of potential dual participation and submit reports to FNS on the efforts to detect and prevent dual participation. Significant rulemaking delayed the publication of a final rule and may jeopardize planned corrective action. FNS developed a new proposed rule to reflect comments received during the first public comment period. The new proposed rule is still under consideration.</p>



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State of Chuuk, Pohnpei, for the Fiscal Year Ended September 30, 1989 #50568-424-SF	5/13/91	(94,909) 94,909	- 0 -	The audit recommended that FNS collect the disallowed costs identified in the audit. FNS is researching the possibility of collecting the disallowed costs from the Federated States of Micronesia. Final action is delayed pending completion of the research.
FNS Subtotal		(4,650,553) 3,810,437	(285,755,168) 277,984,153	
FEDERAL GRAIN INSPECTION SERVICE				
Grain Inspection Processes and Procedures #31008-2-HY*	8/30/88	- 0 -	- 0 -	The audit recommended that FGIS develop and implement a method to measure more accurately moisture in corn, preferably one that employs the use of ground rather than whole kernel corn. FGIS completed the research for air oven calibration and developed a proposed timetable to implement the new moisture reference methods by FY 1996. A contract between FGIS and the University of Illinois to study the proposal is now under way and scheduled for completion by December 1992. Depending on the outcome of the study, this action may be classified as "major rulemaking" which could delay or affect further implementation of this recommendation.
FGIS Subtotal		- 0 -	- 0 -	

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<b>ANIMAL AND PLANT HEALTH INSPECTION SERVICE</b>				
Pest Exclusion Activities #33004-1-HY*	6/29/90	- 0 -	- 0 -	The audit has 10 recommendations of which 8 are complete. The remaining findings are that APHIS ensure that Agency officials comply with the User Fee Statute and, in consultation with OMB and the Treasury Department, either determine the requirements for repayment of the funds already used or request OMB and Treasury to consider waiving the repayment requirement, and reevaluate and revise, where necessary, APHIS' directive to prevent abuse of the overtime system. The 1990 Farm Bill authorized APHIS to collect user fees for preclearance activities. APHIS will develop procedures covering this issue. OMB and Treasury officials informed APHIS that waiver regulations are nonexistent regarding the repayment of fees already collected and expended. APHIS will explore other possible alternatives to resolve this issue. APHIS is revising regulations covering its overtime system. The new regulations will be finalized in FY 1995.
APHIS Subtotal		- 0 -	- 0 -	
<b>OFFICE OF INTERNATIONAL COOPERATION AND DEVELOPMENT</b>				
International Training Division #44010-3-HY*	09/29/89	- 0 -	- 0 -	The audit has 10 recommendations of which 9 are complete. The remaining finding is that OICD reconcile expired orders on record and report unliquidated balances that should be deobligated to the Agency for International Development (AID). OICD and AID continue to work together to reconcile expired orders, cancel unliquidated balances, and adjust prior billings. Final reconciliation for the negative cash activity is scheduled for December 1992.

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Financial Management System #44060-1-HY*	07/13/90	- 0 -	- 0 -	The audit has 17 recommendations of which 13 are complete. The remaining findings are that OICD implement improvements in debt and financial management previously recommended; develop and issue procedures for the billing and collection operations that comply with GAO standards; follow up on all unpaid prior years' debt; and forward all outstanding receivables to GAO that AID declines to pay. Although procedures are in place and are currently being followed, limited resources in OICD are delaying completion of written procedures for the Agency's billing and collection operations. OICD expects to complete action in December 1992.
OICD Subtotal		- 0 -	- 0 -	
<b>OFFICE OF INFORMATION RESOURCES MANAGEMENT</b>				
Security and Control of the Honeywell Mainframe Computer, National Computer Center at Kansas City #58099-17-FM*	3/38/90	- 0 -	(442,572) - 0 -	The audit has 20 recommendations of which 16 are complete. The remaining findings are that OIRM perform a security assessment of the Honeywell system and ensure that security weaknesses and measures are reported as required in security plans and OIRM's Management Control Yearend Report; enforce Departmental requirements that each user has a unique identifier for gaining access to the system; determine if the number of unsuccessful password attempts can be limited and whether passwords can be required to be at least four characters or longer; and update the user's handbook and ensure that changes are made timely. The Kansas City Management Office of ASCS (KCMO/ASCS) began converting the Honeywell based systems to the IBM mainframe in FY 1991. OIRM notified ASCS and FCIC that operations and maintenance on the Honeywell mainframe computer will cease in early FY 1993. Cessation of operations will complete final action on the audit.

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Tape Library Management Controls, National Computer Center at Kansas City #58099-18-FM*	3/12/90	- 0 -	- 0 -	<p>The audit has 14 recommendations of which 8 are complete. The remaining findings are that OIRM implement the security option for the Honeywell tape management software to limit access to tapes; implement controls to restrict access to IBM round tapes utilized on the Honeywell system, develop and implement a method to include IBM tapes in the Honeywell tape management software, and ensure that updates to both systems' tape management software occur when changes are made; establish controls to protect user tapes from unauthorized destruction and to prevent users from making repeated attempts to enter account codes; implement the necessary controls to provide users with the capability to ensure that data is readable at any point in the future; limit the retention date for tapes to 400 days and discontinue allowing users to designate an indefinite retention date; and require users to recreate tapes that need to be retained in excess of 400 days and update the National Computer Center-Kansas City Customer Handbook to include the procedure for recreating tapes that are over 400 days old. The KCMO/ASCS began converting the Honeywell based systems to the IBM mainframe in FY 1991. The conversion of KCMO/ASCS applications required converting 729 ASCS Honeywell application programs to the IBM mainframe. OIRM notified ASCS and FCIC that operations and maintenance on the Honeywell mainframe computer will cease in early FY 1993. Cessation of operations will complete final action on the audit.</p>



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Automated Data Processing Maintenance Agreements Within the Department of Agriculture #50555-1-HY*	3/23/87	- 0 -	- 0 -	The audit has 10 recommendations of which 8 are complete. The remaining findings are that OIRM require USDA agencies to use OFM's NFC inventory system for tracking Automated Data Processing (ADP) equipment and prohibit agencies from maintaining property listings that duplicate those maintained at OFM's NFC. Since GSA issued its final reporting procedures for the revised ADP Equipment Data System, OIRM is working with OO and OFM's NFC to incorporate changes and issue a Departmental Regulation. Since OO is responsible for maintaining various property inventories, OIRM is pursuing the transfer of functional responsibility to OO. Transfer of the function is delaying final action. OIRM anticipates completing the transition by early FY 1993.
OIRM Subtotal		- 0 -	(442,572) - 0 -	
TOTAL		(26,696,026) 19,186,482	(1,074,810,117) 822,783,656	

\* The audits indicated with an asterisk (\*) were in the report for the period October 1, 1991 - March 31, 1992.





